

WEIGHTED PROFIT GUIDELINES

Subject: Profit Calculation – Weighted Guidelines per FAR 15.404-4 and TAM Chapter 1215, Appendix A. The following procedures shall be used as a guide.

Factor	Rate	x	Weight	=	Value
Degree of Risk	25				
Relative Difficulty of Work	20				
Size of Job	15				
Period of Performance	20				
Contractor's Investment	5				
Assistance by Government	5				
Subcontracting	<u>10</u>				
	100				

Each factor shall be weighted as indicated below based on the circumstances of the procurement. "Value" is obtained by multiplying the "weight" by the "rate"; i.e. WEIGHT X RATE = VALUE. The value column, when totaled, will indicate the fair and reasonable profit percentage that should be used for the procurement. A/E contracts will normally be weighted from .07 (low) to .15 (high).

1. Degree of Risk:

When the work involves no risk or the degree of risk is very small, the weight should be .07; as the degree of risk increases, the weight should be increased to a maximum of .15. Items to be considered when assigning a weight are the nature of the work to be accomplished, where it will be done, the conditions it will be accomplished under, etc. A/E contracts with options will generally consider a higher weight than A/E contracts without options. Other things to consider when assigning a weight for an A/E contract are the nature of the design, responsibility for the design, complexity, amount of principal time involved, etc. In addition to the above items, consider what portion of the work will be accomplished by subcontractors.

2. Relative Difficulty of Work:

If the work is very difficult and complex, the weight should be .15 and should be proportionately reduced to .07 on the simplest jobs. This factor, to some extent, is associated with the Degree of Risk factor. Other things to consider when assigning a weight are the nature of the work, who is accomplishing (i.e. subcontractors, consultants, etc.), time schedule, etc. Is the work new design or rehabilitation work.

3. Size of Job

Work not in excess of \$50,000 shall be weighted at .15. Work estimated to be between \$50,000 and \$500,000 shall be proportionately weighted from .15 to .09. Work between \$500,000 to \$1,000,000 shall be weighted from .09 to .07. Work in excess of \$1,000,000 shall be weighted at .03.

4. Period of Performance:

Projects in excess of 180 days actual design time should be weighted at .15. Projects of lesser duration will be proportionately weighted down with .07 being the minimum; i.e. for jobs not exceeding 60 days.

5. Contractor's Investment:

This factor should be weighted from .07 to .15 based on the capital investment the contractor has tied up in the project. An above average investment would be given a higher weight while a below average investment would rate a low weight. On A/E projects, consider if the Government will be providing data on soil tests, surveys, etc.

6. Assistance by the Government:

This factor should be weighted from .07 to .15 based upon the assistance furnished the contractor by the Government. A high level of assistance would be given a low weight while little or no assistance would be given a higher rate. Consider if the A/E will be making use of Government provided as-built drawings, surveys, soil exploration/samples and if Government technical assistance will be provided.

7. Subcontracting

This factor will be weighted inversely (proportional) to the amount of subcontracting on the project. When 80% or more of the work is to be subcontracted, a weight of .07 will be used. The weighting will be proportionately increased to .15 as the amount of the work performed by the contractor's own forces increases.